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SUBJECT: LEBANON: IMF DENIES DISCUSSIONS WITH HIZBALLAH ON NEW
PROGRAMS (ECONOMIC WEEK IN REVIEW, MAY 25 - 31, 2009)

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IMF DENIES DISCUSSIONS OF
NEW PROGRAMS WITH HIZBALLAH

[1](#)1. (SBU) An IMF press statement clarified that the IMF February-March 2009 mission to Beirut met with major political parties, including Hizballah, as part of outreach activities within the scope of Article IV consultation discussions but did not make any agreement with Hizballah on a loan deal. Responding to local press claims that Hizballah met with the IMF to secure continued financial support to Lebanon if the opposition wins the June 7 parliamentary elections, IMF Beirut office economist Najla Nakleh told us the mission met separately with economic experts of the pro-government Future Movement, the opposition Free Patriotic Movement, and Hizballah. The purpose of IMF meetings was to explain IMF's activity in Lebanon and its Emergency Post-Conflict Assistance (EPCA II) program, as well as gather support for Lebanon's economic reforms.

[1](#)2. (SBU) Domenico Fanizza, IMF Division Chief for the Middle East and Central Asia, said the IMF mission met with Abdel Halim Fadlallah -- then Deputy Director of Hizballah's economic research center -- and Hizballah Minister of Labor Mohammad Fneish to discuss labor and social issues. According to Fanizza, the mission emphasized that although the monitoring of Lebanon's macroeconomic performance under Article IV would continue regardless of election results, the IMF's Executive Board of Directors would determine the possibility of a financial arrangement with Lebanon following the expiration of the EPCA II in June 2009.

CABINET ENDORSES ECONOMIC PROGRAM
TO COUNTER GLOBAL CRISIS

[1](#)3. (SBU) On May 26, the cabinet endorsed Prime Minister Fouad

Siniora's 2009-2010 economic program to counter the potential impact of the global crisis on the Lebanese economy. The cabinet also tasked a ministerial committee, headed by the PM and including ministers of finance, economy and trade, industry, agriculture, and energy to prepare the appropriate legislation for implementation. The government and central bank implemented some measures already, such as salary increases to the public sector. Other measures require cabinet or cabinet plus parliament approval, and so will not be acted on for one or two months at least.

¶4. (SBU) The economic plan aims to inject liquidity in the market by expediting the settlement of government debts to the private sector, financing expropriations necessary to launch infrastructure projects financed through soft loans from donor countries, and continuing to pay compensation for damage from the 2006 Hizballah-Israel war to Lebanese beneficiaries. The plan also expands the interest rates subsidy program to increase lending to the private sector (the Central Bank has already issued circulars for that purpose), calls to abolish some taxes, and to work with local and international institutions to set up equity funds. The implementation of structural reforms endorsed at the Paris III donor conference and the creation of three industrial and economic zones throughout Lebanon are highlighted.

ARAB TELECOM MINISTERS: COOPERATE
TO INCREASE INTERNET PENETRATION

¶5. (U) On May 28-29, Beirut hosted the eleventh Arab International Telecom Development Summit, attended by Arab telecom ministers, telecom operators, and industry experts from across the MENA region. Participants noted that the penetration rate of high speed internet

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in the Arab region was only 21%, far below the rate in Europe of 56%. Quoting studies that suggest a 10% increase in internet penetration contributes to a 1-2% increase in GDP, participants proposed greater government to government cooperation to increase penetration, given the high cost of projects and geographical proximity of the MENA countries.

¶6. (U) Meanwhile, during a meeting of Arab Telecom Ministers on May 27, Minister of Telecom Gebran Bassil noted that the Ministry was in the process of expanding Lebanon's fiber optic network to increase high speed internet access. He hoped to be able to increase internet access from 200,000 to 650,000 subscribers in the short term, as well as increase penetration of laptops (from four percent to 35 percent) and personal computers (from 28 percent to 50 percent) through the "Computers for Lebanon" project. Bassil also announced that five new international call centers have been opened, in addition to the ten already in operation; the call centers, located across Lebanon, create job opportunities.

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